



City of Rockville
111 Maryland Avenue
Rockville, Maryland
20850-2364
www.rockvillemd.gov

City Manager
240-314-8100
TTY 240-314-8137
FAX 240-314-8130

December 31, 2009

Timothy L. Firestine
Chief Administrative Officer
Montgomery County Government
Executive Office Building
101 Monroe Street, 2nd Floor
Rockville, MD 20850

Dear Mr. Firestine:

Thank for your December 29, 2009 letter in response to my recent email requesting you to reconsider the large increase in insurance premiums for FY 2011. Your letter cites reasons for the premium increase and informs the City of the County's interpretation of a notice requirement in order to leave the insurance pool.

I too appreciate our long-standing partnership with the Montgomery County Self Insurance Program; it has been a reliable and appropriate insurance solution for the City of Rockville for over 30 years. However, the large increase in the premium rate, coupled with the County's requirement that we sign a new participation agreement with terms potentially unfavorable to the City, have encouraged us to look for alternative insurance solutions.

The current City staff recommendation is to no longer participate in the Montgomery County Self Insurance Program and use State of Maryland providers for workers' compensation and other lines of insurance. This change would require the approval of the Mayor and Council; we plan to bring this proposal to the Mayor and Council in January for approval. If a new insurance provider(s) is approved we will notify you of our intent to terminate our agreement for FY 2011 well before the April 1, 2010 notice requirement, as outlined in our current agreement with the County.

We disagree with the County's interpretation of the notice provision within the current agreement, that an April 1, 2010 notice would be required for an effective termination date of July 1, 2011. Section XXIII of the agreement reads:

This agreement will automatically be renewed April 1, 1980, for the fiscal year 1980-1981 unless a notice of intent to cancel is received by the Interagency Insurance Panel from either party to this agreement. Thereafter, the agreement will be automatically renewed on April first (1st) of the year prior to the next fiscal year unless a notice of intent to cancel is received by the Interagency Insurance Panel from either party to this agreement. (Emphasis added.)

MAYOR
Phyllis Marcuccio

COUNCIL
John B. Britton
Piotr Gajewski
Bridget Donnell Newton
Mark Pierzchala

CITY MANAGER
Scott Ullery

CITY CLERK
Claire F. Funkhouser

CITY ATTORNEY
Debra Yerg Daniel





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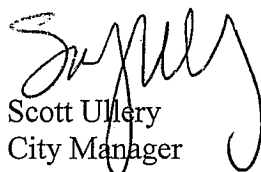
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From a practical standpoint, since we were notified of the premium increase on October 28, 2009, your interpretation of the notice requirement would bind the City to all premium increases without the ability to seek alternatives to avoid increases. A 3-month notice provision is standard practice, and allows insurance carriers the opportunity to provide timely quotations. In addition, the other agencies participating in the pool were required to increase their notice to the County from 3 to 6 months. This would not be consistent with requiring the City to give the County 15 months' notice.

I hope you can appreciate the City's intent and understand that we value our long-standing relationship. We should have a final decision for you shortly. If you have any questions please do not hesitate to contact me.

Sincerely,



Scott Ullery
City Manager

cc: Terry Fleming, Division Manager, Montgomery County government
Carlos A. Vargas, Chief Human Resources Officer
Debra Yerg Daniel, City Attorney
Gavin Cohen, Chief Financial Officer
Phyllis Marcuccio, Mayor
John Britton, Councilmember
Piotr Gajewski, Councilmember
Bridget Donnell Newton, Councilmember
Mark Pierzchala, Councilmember

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